

**ASSEMBLY BILL**

**No. 1156**

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**Introduced by Assembly Member Nava**

February 27, 2009

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An act to add Section 16430.1 to the Government Code, relating to state funds.

LEGISLATIVE COUNSEL'S DIGEST

AB 1156, as introduced, Nava. Surplus funds: investments.

Existing law specifies the types of securities that are eligible for the investment of surplus state funds.

This bill would require that the first priority for the investment of surplus moneys be given to time deposits in an eligible community bank, as defined, to the maximum extent consistent with liquidity requirements and prudent management of surplus moneys.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 16430.1 is added to the Government
- 2 Code, to read:
- 3 16430.1. (a) Notwithstanding Section 16430 or any other
- 4 provision of law, the first priority for the investment of surplus
- 5 moneys shall be, to the maximum extent consistent with liquidity
- 6 requirements and prudent management of surplus moneys, time
- 7 deposits in an eligible community bank, if the time deposits of
- 8 surplus funds and all other investments of surplus moneys made

1 pursuant to this section are in compliance with all other  
2 requirements established by state law.

3 (b) For purposes of this section “eligible community bank”  
4 means a state or national bank located in this state that meets all  
5 of the following requirements and conditions:

6 (1) The bank is selected by the Treasurer for the safekeeping  
7 of money belonging to or in the custody of the state.

8 (2) The bank has received an overall rating of not less than  
9 “satisfactory” in its most recent evaluation by the appropriate  
10 federal financial supervisory agency of the bank’s record of  
11 meeting the credit needs of the state’s communities, including low-  
12 and moderate-income neighborhoods, pursuant to Section 2906  
13 of Title 12 of the United States Code.

14 (3) The bank is eligible to receive deposits only to the extent  
15 that it complies with the requirements of Chapter 4 (commencing  
16 with Section 16500).